Alliance
Credit Union
Ownership Means Financial Security

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July 02, 2008

Ms. Mary Rupp
Secretary to the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Ms. Rupp:

Thank you for the opportunity to express our views on the National Credit Union Administration Board's Proposed Rulemaking – Member Business Loan Rule. Alliance Credit Union is a $135 million state-charted credit union located in the St. Louis, MO metropolitan area that has been active in member business lending (MBL) for more than four years. We currently have a $13 million MBL portfolio; have never experienced an MBL loan loss or even a 60 day delinquency. We see Member Business Lending as an vital part of the success and future of Credit Unions.

Our comments:

1. LTV Limitations -- Using 80% as a "universal loan-to-value limitation" on MBL's often places credit unions at a competitive disadvantage to commercial banks and commercial lenders, especially in the refinance of existing commercial property..

It is suggested this limit be raised to 85% for commercial property less than 30 years old, with three prior years of positive cash flow, and strong personal guarantors.

2. Waivers – In special MBL situations a credit union can apply for waivers, where warranted by the circumstances. However, the current process is slow and cumbersome, and can take several weeks. In some instances, a credit union must first apply to its state regulator, and then it is forwarded to NCUA for approval. Often the borrower has other bank borrowing options, and the credit union can lose the opportunity due to long approval times.

It is suggested that a special direct to NCUA conduit be established to consider MBL waivers, with a targeted response time of two weeks. Submission to the state and NCUA at the same time would speed the process.

3. Lender Rating System – Credit union expertise levels in business lending vary greatly. Some credit unions have initiated only a few business loans, or zero, while others are very active in this segment.

It is suggested that a nationwide three level rating system be developed to reflect the relative MBL expertise of a credit union; and that the regulators rank each credit union accordingly during their annual examination. Factors in the rating process can best be determined by NCUA, but should include number of MBL's initiated, expertise & history of lending staff, quality of the MBL portfolio, SBA initiations, charge-offs, etc.

4. Uniform Credit Scoring & Risk Rating Methodology – There are multiple "Risk Rating Methodologies" in use today, ranging from three to nine gradations. It would be most helpful for the NCUA to develop a standard methodology for all to use, perhaps with 7 or 8 levels. This would improve regulatory examinations, and foster more loan participations among credit unions.

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5. Debt Service – It is suggested that NCUA regulations clarify the measurement of adequ
debt service coverage by the borrowers and guarantors. It is suggested that 1.25:1 be established as the guideline. Further clarification in the case of new real estate LLC's is warranted; requiring the guarantors meet this DSC requirement when the borrowing entity is new special purpose corporation or limited liability company.

6. MBL Portfolio Size – Credit union regulations should be modified to allow 25% of the loa portfolio to consist of member business loans. Well managed credit unions are hampered b current 12.25% limitation.

Although #6 is not within your realm of authority, we feel very strongly it is critical to the futu Member Business Lending that the limit be significantly increased.

Sincerely,

Dave S. Meyer

Dave S. Meyer
Vice President, Lending
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